

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Sugar Update

Report Categories:

Sugar

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Report Highlights:

Recent meetings with sugar industry leaders and key sugar mills, support Post's 2011/12 crop forecast and point to an industry in recovery from negative weather related difficulties in 2010/11 and strong optimism about the industry's future.

Crop Prospects

As reported in the [Sugar Annual 2011](#) report, Australia's sugar production in 2011/12, suffered from very high La Nina influenced rainfall and a large number of cloudy days. This was then capped by the devastating Cyclone Yasi in February. As a result there was a considerable amount of sugarcane that was not harvested and was "stood over" for the 2011/12 season.

For 2011/12 overall production is expected to rise compared to the sharply reduced the 2011/12 season. Nonetheless, it is not expected to rise to the levels seen in 2010/11 for a least another season. Damage from Cyclone Yasi in February; continued cloudy weather through late March, and low yields from the "stand over" cane, account for the majority of the continued relatively low production levels.

Local infrastructure was visibly still under repair during this trip – four months after the Cyclone. Nonetheless, mills reported that critical rail lines had been repaired and that mills were ready to start the crushing season. Crop travel showed most cane had recovered fairly well, but with the effects of the Cyclone most visible close to the Tully area – roughly equidistant between Cairns and Townsville in Queensland.



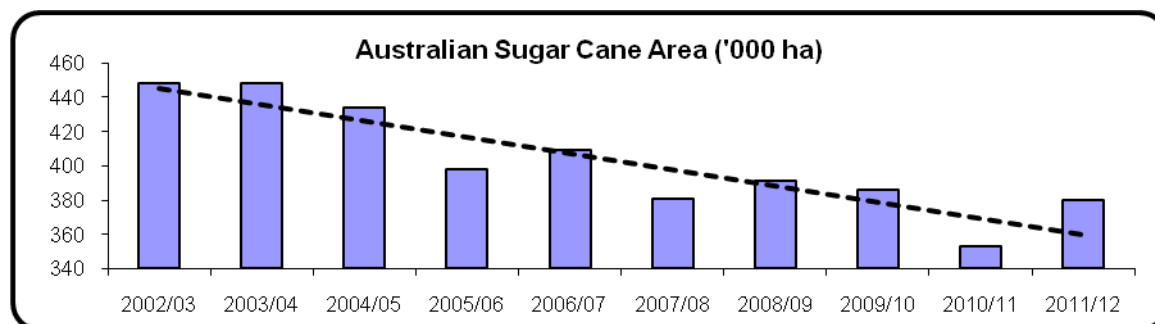
Cyclone damage to nearby trees – Photo by Grant Pettrie

Industry Restructuring

Industry restructuring continues to make a significant impact on the Australian sugar industry. Increased levels of foreign investment in the Australian sugar industry has improved the conditions and scope of local sugar mills as well as allowed mills to purchase new lands to put into sugar cane production.

Industry sources expect area planted to sugarcane to increase over the next five years. Land that went out of sugarcane into Managed Investment Schemes (MIS) tree plantations are increasingly being returned to sugarcane planted area. Many of the MIS schemes have failed with those lands

now on the market for sale. While no one expects a major expansion of the Australian sugar industry as was seen in the 1990s, all contacts expressed optimism that planted area would increase in coming years reversing the decline seen over the past 7 years.

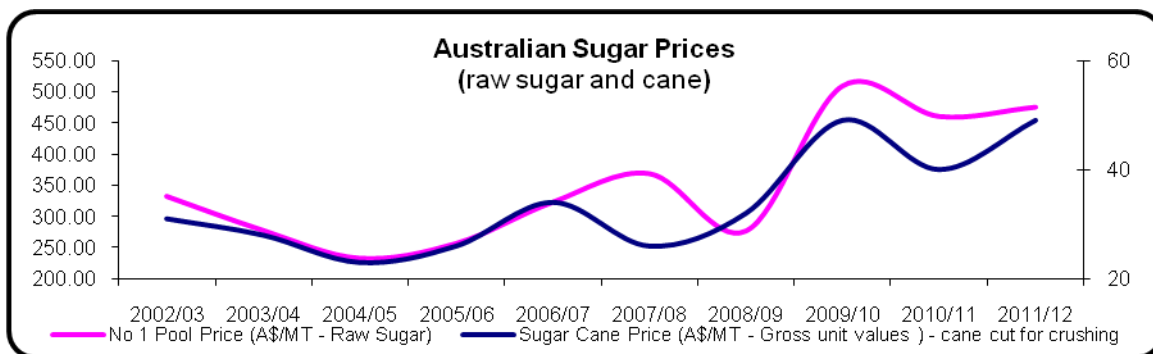


Source:

ABARES Data

Sitting in a Sweet Spot

While not expecting a major industry expansion, industry groups including millers and many growers expressed a growing sense of optimism about the future. Expectations of continued strong prices, as seen over the past 3 years, close proximity to important growing Asian markets, and improving levels of industry efficiency and well-funded foreign investment are the reasons most cited for this optimism. Having survived the low prices during the 2000-2007 period, the remaining companies believe they are well positioned to take advantage of changing patterns in world sugar trade and rising Asian income and population levels.



Source: ABARES Data